

ORIGINAL



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BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISSIONERS

2011 DEC -9 P 2:18

GARY PIERCE, Chairman  
SANDRA D. KENNEDY  
PAUL NEWMAN  
BOB STUMP  
BRENDA BURNS

AZ CORP COMMISSION  
DOCKET CONTROL

IN THE MATTER OF THE APPLICATION  
OF CHINO MEADOWS II WATER CO., INC.  
FOR A RATE INCREASE.

DOCKET NO. W-02370A-10-0519

**INITIAL BRIEF**

Chino Meadows II Water Co., Inc., ("Chino Meadows") hereby submits its initial brief in the above-captioned docket.

**I. SUMMARY**

The only parties to this case are Chino Meadows and the Arizona Corporation Commission Utilities Division Staff ("Staff"). As a result of testimony and discussions between the parties, they have been able to substantially reduce the number of issues to be evaluated by the Commission.

There is only one major issue in this case. The Commission's overwhelming precedent is to use an operating-margin methodology to determine the revenue requirement for a Class C water utility with a small or negative rate base. Consistent with that precedent, Chino Meadows calculates its revenue requirement based on a 12.5% operating margin, which is at the low end of the range of recent Commission decisions.

Staff inexplicably departs from Commission precedent and recommends that Chino Meadows revenue requirement be based on a rate-of-return methodology. The rate-of-return methodology is traditionally used for larger water utilities, although Staff has recently even used the operating-margin methodology to set rates for a Class A utility, Johnson Utilities.

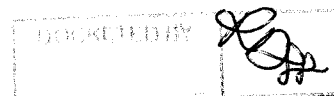
The remaining issues follow:

- Employee Bonuses;

Arizona Corporation Commission

**DOCKETED**

DEC -9 2011

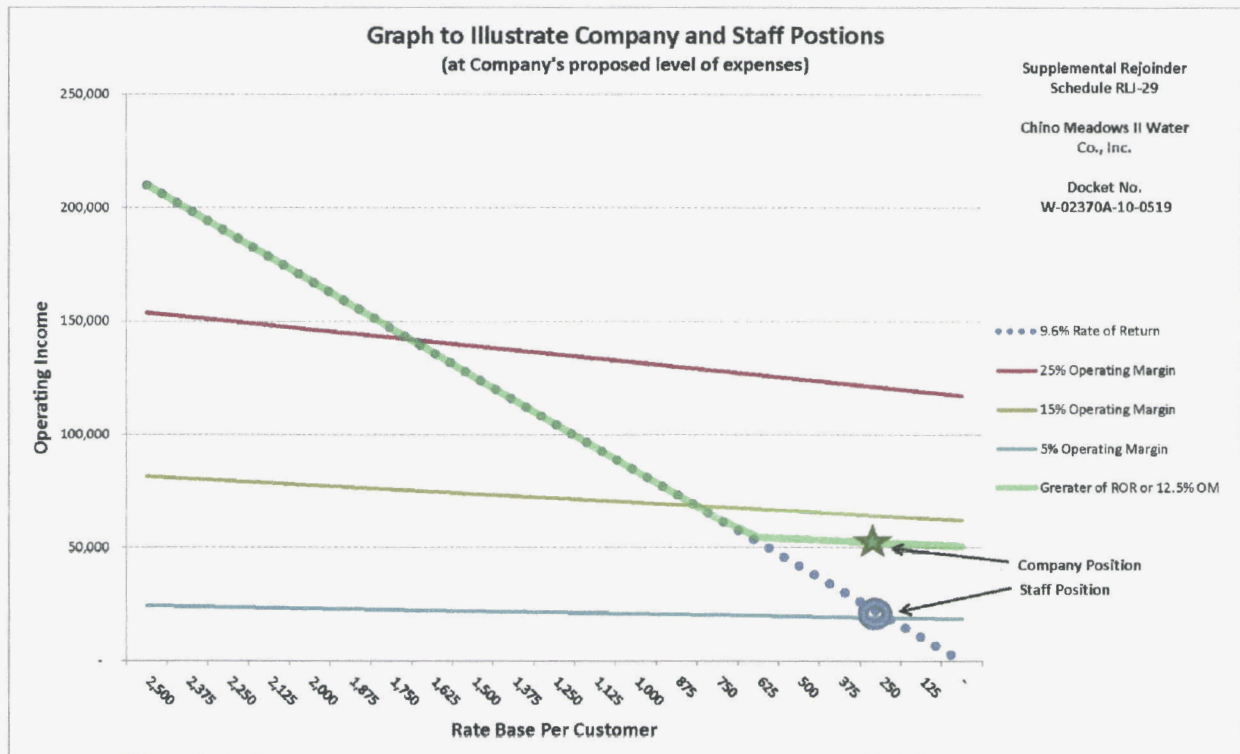


- Executive Salary;
- Miscellaneous Expenses;
- Leak Detection Expense;
- Required Best Management Practices; and
- Rate Design

As will be discussed below, Chino Meadows recommends that the Commission adopt its positions on these issues.

## II. THE COMMISSION SHOULD SET RATES USING ITS TRADITIONAL OPERATING-MARGIN METHODOLOGY

The Commission generally uses an operating-margin methodology to determine the revenue requirement and rates for Class C water utilities with small rate bases.<sup>1</sup> Use of a rate-base methodology for water utilities with small rate bases per customer yields inappropriate results. Mr. Jones prepared a chart to illustrate why a return-on-rate-base methodology should not be used for water utilities with small rate bases per customer.<sup>2</sup>



<sup>1</sup> A company's operating margin equals its operating income divided by its operating revenue.

<sup>2</sup> Jones Supplemental Rejoinder Testimony (Exhibit A-4) at RLJ-29.

1 As the chart shows, use of the return-on-rate-base methodology provides the large-rate-base  
2 utility with high operating margins and greater operating incomes. In contrast, the return-on-  
3 rate-base methodology provides a utility with a small rate base little operating income and very  
4 low operating margins.

5 As shown in the chart, Mr. Jones argues that ratemaking for small rate base utilities, like  
6 Chino Meadows, should depart from rate of return ratemaking at the point where the resulting  
7 revenue requirement would no longer result in a reasonable operating margin.<sup>3</sup> Without  
8 consideration for Chino Meadows' operating margin, Staff uses the return-on-rate-base  
9 methodology to calculate Chino Meadows' revenue requirement. The results are an unusually  
10 small operating income and operating margin.

11 The following table summarizes operating margins provided in recent Commission cases  
12 for Class C water utilities.<sup>4</sup>

Utility	Decision No.	Decision Date	Operating Margin Provided
Yarnell Water Improvement Association	70698	01/20/2009	22.31%
Wickenburg Ranch Water Company, LLC	70741	02/12/2009	23.10% (\$236,081 OI ÷ \$1,022,037 OR)
Ash Fork Water Development Association	71181	06/09/2009	10.88%
Appaloosa Water Company	71236	08/06/2009	17.13%
H2O Inc.	71414	12/08/2009	10.00%
Ehrenberg Improvement Association	71505	03/17/2010	18.33%
Farmers Water Company	71510	03/17/2010	10.00%
Pineview Water Company	71693	05/03/2010	12.18%
Valley Verde Water Company	71899	09/28/2010	10.09%
Mt. Tipton Water Company	72001	12/10/2010	13.50%

<sup>3</sup> Tr. at 13-14.

<sup>4</sup> Chino Meadows has attempted to be comprehensive, but may have missed cases.

Utility	Decision No.	Decision Date	Operating Margin Provided
Abra Water Company	72287	05/04/2011	11.12% (\$34,971 OI ÷ \$314,481 OR)
Southland Utilities Company	72429	06/24/2011	14.69% (\$41,798 OI ÷ \$284,608 OR)
Las Quintas Serenas	72498	07/25/2011	10.56% (\$51,564 OI ÷ \$488,270 OR)
<b>Average Operating Margin</b>			<b>14.15%</b>

Staff inexplicably chose to treat Chino Meadows like a large-rate-base company and sponsored return-on-equity testimony from Mr. Manrique.<sup>5</sup> Mr. Manrique calculated a return on equity of 9.6%.<sup>6</sup> Ms. Brown then incorporated Mr. Manrique's calculation in her revenue-requirement calculation.

Staff final recommendation is that the Commission provide operating income for Chino Meadows of only \$20,385 on operating revenues of \$353,761.<sup>7</sup> This equates to an operating margin of just 5.76%

As the table shows, the average operating margin provided by the Commission for Class C water companies over the last three years was 14.15%. This means that Staff's operating margin recommendation is only 40% of the average operating margin the Commission has been providing for Class C water companies.

Staff provided no explanation for its discriminatory treatment of Chino Meadows. It cannot justify why Chino Meadows' revenue requirement should provide it the opportunity to earn only 40% of the average return provided by the Commission for Class C water companies.

Chino Meadows final schedules are attached to this brief.<sup>8</sup> Mr. Jones calculated Chino Meadows' revenue requirement based on a 12.5% operating margin.<sup>9</sup> This is still 1.65% less

<sup>5</sup> Exhibits S-2 and S-3.

<sup>6</sup> Exhibit S-3 at 2:1-2.

<sup>7</sup> Staff's Final Schedule CSB-11.

1 than 14.15% average operating margin that the Commission has routinely provided other Class C  
2 water companies.

3 In addition to Commission precedent, Mr. Jones provided three reasons why the  
4 Commission should continue to set the revenue requirement for small-rate-base water companies  
5 using the operating-margin methodology.

- 6 • Chino is a small company with a relatively small rate base and rate base per customer.  
7 A company operating at a small margin may have difficulty covering increasing or  
8 fluctuating costs, dealing with contingencies, and attracting new capital for system  
9 improvements.
- 10 • Chino is concerned that setting rates based on the rate base method will not provide  
11 sufficient income to allow Chino to attract sufficient funds to complete needed system  
12 improvements.
- 13 • Chino has a history of fluctuating costs that are not being recovered in the allowed  
14 expenses in this case. Chino must have sufficient revenues to cover these fluctuating  
15 expenses while still being able to deal with increasing costs and capital investment  
16 needs.<sup>10</sup>

17 Other jurisdictions provide small water companies even higher operating margins than  
18 the Commission's 14.40%. The California Public Utilities Commission ("CPUC") has adopted  
19 WATER DIVISION STANDARD PRACTICE U-3-SM (SP-U-3-SM) requiring the CPUC to  
20 apply standard rates of return and standard rates of margin for water companies with less than  
21 2,000 customers (Class C and Class D). Pursuant to the Standard Practice the CPUC bases its  
22 revenue requirement on the method—either return on rate base or operating margin—that

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<sup>8</sup> These schedules differ only slightly from the schedules attached to Mr. Jones Supplemental Rejoinder Testimony (Exhibit A-4). The differences are attributable to Staff's revisions to its Surrebuttal Schedules as reflected in Staff's final schedules.

<sup>9</sup> Jones Rejoinder Testimony (Exhibit A-3) at 4:4-5.

<sup>10</sup> *Id.* at 4:8-20.

1 produces the *highest* revenue requirement.<sup>11</sup> CPUC Staff currently recommends a 23.4% rate of  
2 margin for Class C water utilities (501 – 2000 customers).<sup>12</sup>

3 The Staff has not limited its use of the operating-margin methodology to just small water  
4 companies. In Docket No. WS-02987A-08-0180, Staff recommended that the Commission set  
5 rates for both of Johnson Utilities' Water and Wastewater Divisions on an operating-margin  
6 basis.<sup>13</sup> Staff recommended operating margins of 10.0%.<sup>14</sup>

7 As discussed above, Chino Meadows' recommended 12.50% operating margins is still  
8 1.65% less than 14.15% average operating margin that the Commission has provided other Class  
9 C water companies. It is also consistent with even the Commission's most punitive treatment of  
10 an Arizona water utility. Before reversing itself a year later, the Commission approved only a  
11 3.0% operating margin for Johnson Utility's wastewater division, which produced operating  
12 income of \$290,610 and cash flow of approximately \$2.4 million.<sup>15</sup> The available cash flow  
13 represented 25.2% of expenses. Chino Meadows' recommended 12.50 % operating margin  
14 produces a ratio of cash flow to expenses of 25%, approximately equaling the ratio granted in the  
15 Johnson Utilities case.

16 Chino Meadows in no way deserves punitive treatment by the Commission. To the  
17 contrary, Chino Meadows is a very well-run utility that provides its customers with water that  
18 meets all public-safety standards. Staff testified that Chino Meadows has an outstanding  
19 compliance and customer-service record.<sup>16</sup> However, on a cash-flow basis Staff's recommended  
20 operating margin would be extraordinarily punitive – even worse than the Commission's initial  
21 treatment of Johnson Utilities.

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<sup>11</sup> See CPUC STANDARD PRACTICE FOR PREPARING RESULTS OF OPERATION REPORTS FOR  
GENERAL RATE INCREASE REQUESTS OF WATER UTILITIES OTHER THAN MAJOR COMPANIES  
Standard Practice U-3-SM revised April 2006 and CPUC RESOLUTION NO. W-4524, dated March 17, 2005.

<sup>12</sup> Chino Meadows has 889 water customers. Liu Direct (Exhibit S-1) at Engineering Report p. 1.

<sup>13</sup> See Decision No. 71854 at 49:1-7.

<sup>14</sup> *Id.* The Commission ultimately approved just a 3% operating margin, but then reversed itself in Decision No.  
71910.

<sup>15</sup> Exhibit A-3 at 7:13-16.

<sup>16</sup> Tr. at 67:16 – 70:25.

1 Consistent with Commission precedent, fairness, and regulatory practice, the  
2 Commission should provide Chino Meadows the opportunity to earn a 12.5% operating margin.

3 **III. EXPENSE ISSUES**

4 **A. Employee Bonuses**

5 Chino Meadows uses bonuses to recognize individuals for their exceptional effort in  
6 providing services.<sup>17</sup> Chino Meadows believes that the extra effort of its employees results in  
7 superior customer service, saves time and expense and assists Chino Meadows in meeting its  
8 goal to provide safe reliable water that meets or exceed the safe drinking water standards. In  
9 addition, the bonus program assists in employee retention and insures a knowledgeable work  
10 force. Without the bonus program, Chino Meadows would need to raise base salaries to be  
11 competitive in the market and to retain employees.

12 Staff would disallow all bonus payments. Chino Meadows proposes to allow 50% of the  
13 bonus payments as recoverable expense.<sup>18</sup> This is consistent with the sharing methodology that  
14 the Commission has approved for other Arizona utilities. For example, the Commission has  
15 consistently allowed Arizona-American Water Company to recover 70% of the costs associated  
16 with its Annual Incentive Plan.<sup>19</sup>

17 **B. Executive Salaries**

18 Staff reduced the amount of Company President Paul Levie's salary expense that should  
19 be allowed in rates by \$4,879. Staff's adjustment was arbitrary and should be rejected.

20 The first problem with Staff's adjustment is that Ms. Brown, Staff's analyst, has no  
21 experience acting as or working with a manager or supervisor of a water utility.<sup>20</sup> With all due  
22 respect, she really does not know the extent of a manager's duties or how long they take to  
23 perform.

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<sup>17</sup> This paragraph, see Exhibit A-2 at 11:8-14

<sup>18</sup> *Id.* at 11:15-17.

<sup>19</sup> *Arizona-American Water Co.*, Decision No. 72047, dated January 6, 2011, at 27-28; see also *Sunrise Water Co.*, Decision No. 71445 dated December 23, 2009, at 9:16-18 (Commission allowed 50% of incentive compensation); *Black Mountain Gas Co.*, Decision No. 64727, dated April 17, 2002, at 5 (Commission allowed 50% of incentive compensation).

<sup>20</sup> Tr. at 112:6-11.

1 A second issue is that Ms. Brown did not consider whether Mr. Levie might also provide  
2 legal services for Chino Meadows.<sup>21</sup>

3 Third, Ms. Brown does not dispute that the salary amount was actually paid to Mr.  
4 Levie.<sup>22</sup>

5 Fourth and most important, Mr. Levie's salary was clearly reasonable. If Mr. Levie  
6 worked full time, his salary would be only \$71,000 per year.<sup>23</sup> This salary level would be  
7 appropriate if not even low for a person with ultimate responsibility for the utility's operations.  
8 Chino Meadows is only asking to recover one-half of this reasonable salary amount.

9 Staff's adjustment should be rejected.

10 **C. Leak Detection Expense**

11 As part of its Best Management Practices ("BMPs") Chino Meadows proposes to begin a  
12 leak-detection program.<sup>24</sup> The estimated annual cost would be \$2,296.<sup>25</sup> Staff would reject this  
13 *pro forma* expense.<sup>26</sup>

14 Staff's proposed disallowance would be unfair. Staff is recommending additional BMPs  
15 for Chino Meadows.<sup>27</sup> For one of the BMPs, Chino Meadows is agreeing to begin a leak-  
16 detection program, but there would be an annual cost for this program of \$2,296. Staff does not  
17 dispute this estimate. Without the *pro forma* adjustment, Chino Meadows could not recover the  
18 costs of its leak-detection program.

19 **D. Miscellaneous Expense**

20 Staff proposes to disallow expenses associated with employee gifts (\$30); office food and  
21 beverage (\$1,002); employee meals during main-break repairs (\$141); and the annual employee  
22 holiday party (\$450).<sup>28</sup> Mr. Jones explains why these expenses should be allowed:

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<sup>21</sup> Tr. at 111:1-12.

<sup>22</sup> Tr. at 113:17-20.

<sup>23</sup> Tr. at 111:21-25.

<sup>24</sup> Ex. A-2 at 17:14 - 18:15.

<sup>25</sup> Ex. A-3 at 10, n. 4.

<sup>26</sup> Ex. S-5 at 11:7-21.

<sup>27</sup> Ex. S-1, Engineering Report at 4.

<sup>28</sup> Ex. A-4 at RLJ-30.



1 [T]hese expenses are prudently incurred expenses related to utility operations and  
2 should be allowed. The meal expenses are for field employee meals provided  
3 when crews are working overtime on main breaks. The office food and beverage  
4 is for employee meals provided to promote efficient and consistent customer  
5 service. They are necessary due to the 20 minute drive from Chino's office to the  
6 nearest restaurant. The employee gifts and holiday party are normal business  
7 expenses and are intended to recognize employees for their efforts and assist with  
8 employee retention. These types of expenses have been allowed for larger  
9 companies regulated by the ACC.<sup>29</sup>

10 Mr. Jones reasons for recovering these expenses are persuasive.

11 **IV. BEST MANAGEMENT PRACTICES**

12 Staff recommends that Chino Meadows implement five BMPs. Mr. Jones states that five  
13 BMPs are far too much for a small water company:

14 Although the Company supports groundwater management and the efforts  
15 implemented by the Commission to promote water conservation, the Company is  
16 concerned that Staff's recommendation is a step too far for this small company.

17 Chino is classified as a small provider by ADWR. As such, Chino is not required  
18 to implement any BMPs under ADWR's Modified Non Per Capita Water  
19 Conservation Program ("MNPCCP"). Once Chino becomes a large provider, it  
20 will only have to implement one BMP until such time as it reaches 5,001  
21 customers. The effect of Staff's recommendation is to require a small provider  
22 with only about 900 customers and only five employees to implement a program  
23 suitable to a much larger company. Chino is concerned that the costs and effort  
24 required to implement five BMPs will be beyond its financial, technical and  
25 staffing capabilities and not prove cost effective for its customers.<sup>30</sup>

26 Staff's recommendation is also contrary to current Commission policy. In the recent case  
27 involving Mirabell Water Company, also characterized as a small provider by ADWR, the  
28 Commission rejected Staff's request to require the company to implement three BMPs.<sup>31</sup> The  
29 Commission concluded that Mirabell should not be forced to implement more than the number of  
30 BMPs required by ADWR.

31 In light of the fact that Mirabell is subject to ADWR's jurisdiction, we do not  
32 believe it would be appropriate at this time to require Mirabell to submit more  
33 BMPs than it is required to submit to ADWR.<sup>32</sup>

34 Staff has suggested no reasons why the Commission should depart from current policy.

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<sup>29</sup> *Id.*

<sup>30</sup> Exhibit A-2 at 17:20 – 18:5.

<sup>31</sup> Decision No 72675, dated November 17, 2011.

<sup>32</sup> *Id.* at 14:28 to 15:2.

1 **V. RATE DESIGN**

2 Staff recommends that Chino Meadows change to an inverted, three-tier rate design.<sup>33</sup>

3 Chino Meadows has accepted Staff's recommendation to use a three-tier rate design, but objects  
4 to Staff's recommendation to decrease the current monthly customer charges.<sup>34</sup>

5 In its final schedules, Staff recommends a modest rate increase, but would still decrease  
6 customer charges. Staff suggests the following decreases to existing customer charges:

	Present	Staff
Monthly Rates	Rates	Recommended
5/8" x 3/4" Meter	\$ 18.75	\$ 17.75
3/4" Meter	\$ 28.13	\$ 26.63
1" Meter	\$ 46.88	\$ 44.38
1 1/2" Meter	\$ 93.75	\$ 88.75
2" Meter	\$ 150.00	\$ 142.00
3" Meter	N/A	\$ 266.25
4" Meter	N/A	\$ 443.75
6" Meter	N/A	\$ 887.50

7 Reducing Chino Meadows' customer charges would be unwise. If customer charges are  
8 decreased while rates are otherwise increased, then more of Chino Meadows' fixed costs would  
9 be recovered through its commodity charges.

10 Inverted three-tier rates are intended to encourage water conservation. Water  
11 conservation (decreased sales) means that Chino Meadows's sales will be inadequate to recover  
12 its revenue requirement. Decreasing customer charges at the same time would only compound  
13 the problem by reducing the amount of fixed costs recovered. It is unfair to both move to an  
14 inverted, three-tier rate design and to reduce customer charges.

15 As discussed above, Chino Meadows supports Staff's recommended inverted, three-tier  
16 rate design, because it encourages water conservation. However, a simultaneous reduction to  
17 customer charges would be punitive. Instead, Chino recommends increasing the customer  
18 charge by the same percentage as the overall rate increase.<sup>35</sup> This is fair.

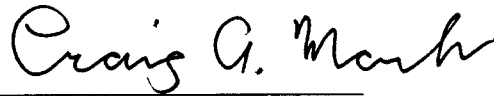
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<sup>33</sup> Exhibit S-4 at 31:3-4.

<sup>34</sup> Exhibit A-2 at 19:16-17

<sup>35</sup> Exhibit A-4 at 2:8-10.

1 Respectfully submitted on December 9, 2011 by:

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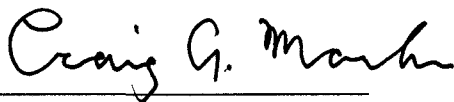
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32  
33  
34 By:   
35 Craig A. Marks  
36

Computation of Increase in Gross Revenue Requirements

Line No.		Company As Filed	Company Rebuttal RB Method	Company Rebuttal OM Method
1	<b>Rate Base Method</b>			
2	Adjusted Original Cost Rate Base	\$ 225,397	\$ 211,738	
3				
4	Adjusted Operating Income	(2,278)	\$ 11,127	
5				
6	Current Rate of Return	-1.01%	5.26%	
7				
8	Required Rate of Return	10.81%	9.60%	
9				
10	Required Operating Income	\$ 82,318	\$ 20,327	
11				
12	Operating Income Deficiency (Rate Base Method)	\$ 88,912	\$ 9,200	
13				
14	Gross Revenue Conversion Factor	1.3699	1.2806	
15				
16	Increase in Gross Revenue	\$ 84,641	\$ 11,782	
17				
18	Adjusted Test Year Revenue	\$ 351,633	\$ 351,633	
19				
20	Proposed Annual Revenue	\$ 436,274	\$ 363,415	
21				
22	Required Increase/(Decrease in Revenue) (%)	24.07%	3.35%	
23				
24	<b>Operating Margin Method</b>			
25	Current Operating Margin			3.16%
26				
27	Adjusted Operating Income		\$ 11,127	
28				
29	Required Operating Margin			12.50%
30				
31	Required Operating Income		\$ 50,412	
32				
33	Operating Income Deficiency (Operating Margin Method)		\$ 39,285	
34				
35	Gross Revenue Conversion Factor			1.3150
36				
37	Increase in Gross Revenue		\$ 51,660	
38				
39	Adjusted Test Year Revenue		\$ 351,633	
40				
41	Proposed Annual Revenue		\$ 403,293	
42				
43	Required Increase/(Decrease in Revenue) (%)			14.69%
44				

Computation of Gross Revenue Conversion Factor

Line			
<u>No.</u>			
1	<u>Calculation of Effective Tax Rate</u>		
2	Operating Income Before Taxes	100.0000%	
3	State Tax Rate	6.9680%	
4	Federal Taxable Income	93.0320%	
5	Applicable Federal Tax Rate	17.2228%	
6	Effective Federal Tax Rate	16.0227%	
7			
8	Combined Effective Tax Rate		22.9907%
9			
10	<u>Calculation of Effective Property Tax Rate</u>		
11	Unity	100.0000%	
12	Combined Effective Tax Rate	22.9907%	
13	One Minus Combined Effective Tax Rate	77.0093%	
14	Property Tax Factor	1.2530%	
15	Effective Property Tax Factor		0.9649%
16			
17	Federal and State Income Tax Rate and Property Tax Rate		23.9556%
18			
19	<u>Calculation of Gross Revenue Conversion Factor</u>		
20	Revenue	100.0000%	
21	Combined Tax and Property Tax Rate	23.9556%	
22	Operating Income Percentage	76.0444%	
23	Gross Revenue Conversion Factor	1.31502	
24			
25			

Summary of Original Cost Rate Base Elements

Line No.		Company As Filed	Company Rebuttal
1			
2	Gross Utility Plant in Service	\$ 761,698	\$ 765,198
3	Less: Accumulated Depreciation	508,828	508,828
4	Net Utility Plant in Service	<u>\$ 252,870</u>	<u>\$ 256,370</u>
5			
6	Less:		
7	Advances in Aid of Construction	\$ 19,004	\$ 7,829
8	Service Line and Meter Advances	42,208	42,208
9	Contributions in Aid of Construction (CIAC)	12,809	23,984
10	Less: Accumulated Amortization of CIAC	<u>2,631</u>	<u>2,910</u>
11	Net CIAC	\$ 10,178	\$ 21,074
12			
13	Total Advances and Contributions	\$ 71,390	\$ 71,111
14			
15	Customer Security Deposits	\$ -	\$ 11,330
16			
17	Accumulated Deferred Income Taxes	\$ -	\$ -
18			
19	Plus:		
20	Working Capital Allowance	\$ 37,764	\$ 31,656
21	Materials and Supplies Inventories	\$ 3,024	\$ 3,024
22	Prepayments	\$ 3,129	\$ 3,129
23			
24	Rate Base	<u>\$ 225,397</u>	<u>\$ 211,738</u>
25			

Original Cost Rate Base Pro forma Adjustments

Line No.	[A] Company As Filed	[B] ADJ RLJ-1	[C] ADJ RLJ-2	[D] ADJ RLJ-3	[E] ADJ RLJ-4	[F] ADJ RLJ-5	[G] ADJ RLJ-6	[H] Adjusted End of Test Year
1								
2	\$ 761,698						\$ 3,500	\$ 765,198
3	508,828							508,828
4	\$ 252,870	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,500	\$ 256,370
5								
6	Less:							
7	Advances in Aid of Construction	(11,175)						7,829
8	Service Line and Meter Advances	42,208						42,208
9								
10	Contributions in Aid of Construction (CIAC)		11,175					23,984
11	Less: Accumulated Amortization of CIAC	2,631		279				2,910
12	Net CIAC	10,178	-	11,175	(279)	-	-	21,074
13								
14	Total Advances and Contributions	71,390	(11,175)	11,175	(279)	-	-	71,111
15								
16	Customer Security Deposits	-						11,330
17	Accumulated Deferred Income Taxes	-			11,330			-
18								
19	Plus:							
20	Working Capital Allowance	37,764				\$ (6,108)		31,656
21	Materials and Supplies Inventories	3,024						3,024
22	Prepayments	3,129						3,129
23								
24	Rate Base	225,397	11,175	(11,175)	279	(11,330)	(6,108)	211,738
25								

Chino Meadows II Water Co., Inc.  
Docket No. W-02370A-10-0519  
Test Year Ended December 31, 2009

Final Schedule RLJ-5

Rate Base Adjustment RLJ-1

Line

No.

1 Adjust AIAC Balance to Reflect Expired Main Extension Agreements

2

4

5 Description

Company

Company

Company

As Filed

Adjustment

Adjusted

Balance

6

7 AIAC - Main Extension Contracts

\$ 19,004 \$ (11,175) \$ 7,829

8

9

Contract

10

Balance

11 Expiring Contracts

12/31/2009

12 Allen Barras (6/8/1999)

1,144

13 Hoffman (9/16/1999)

2,626

14 Vivien & Sebastien Garote (10/28/1999)

926

15 Herb Schuerman (12/15/1999)

2,453

16 Lyle Garrison (12/20/1999)

4,026

17

11,175

18



Chino Meadows II Water Co., Inc.  
Docket No. W-02370A-10-0519  
Test Year Ended December 31, 2009

Final Schedule RLJ-6

Rate Base Adjustment RLJ-2

Line

No.

1 Adjust CIAC Balance to Reflect Expired Main Extension Agreements

2

3

4 Description

Company  
As Filed

Company  
Adjustment

Company  
Adjusted  
Balance

5

6 Gross CIAC

\$ 12,809 \$ 11,175 \$ 23,984

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Rate Base Adjustment RLJ-3

Line

No.

1 Adjust Amortization of CIAC

2

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4 Description

5

6 Amortization of CIAC - As Filed

7 Amortization of CIAC - Additions

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Company	Company	Company
<u>As Filed</u>	<u>Adjustment</u>	<u>Adjusted</u>
		<u>Balance</u>
\$ 2,631	\$ -	\$ 2,631
-	279	279
\$ 2,631	\$ 279	\$ 2,910

Calculation of Amortization of CIAC

CIAC Amortization Rate	2.50% (5.0% x 1/2 year)
CIAC Additions	\$ <u>11,175</u>
Amortization of CIAC	\$ 279

Chino Meadows II Water Co., Inc.  
Docket No. W-02370A-10-0519  
Test Year Ended December 31, 2009

Final Schedule RLJ-8

Rate Base Adjustment RLJ-4

Line

No.

1 Accept Staff Rate Base Adjustment No. 4 - Customer Deposits

2

3

4 Description

5

6 Customer Deposits

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Company  
As Filed

Company  
Adjustment

Company  
Adjusted  
Balance

\$	-	\$	11,330	\$	11,330	Accept Staff Adjustment
----	---	----	--------	----	--------	-------------------------

Rate Base Adjustment RLJ-5

Line

No.

1 Adjustment to Reflect Cash Working Capital

2

3

4 Description

5

6 Cash Working Capital

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	Company	Company	Company
	As Filed	Adjustment	Adjusted
			Balance
	\$ 37,764	\$ (6,108)	\$ 31,656
Operation and Maintenance Expense			\$ 340,506
Less			
Depreciation			39,709
Taxes			32,381
Purchased Power			22,657
Purchased Water			100
Net Operation and Maintenance Expense			\$ 245,659
Multiplied by			<u>1/8</u>
			\$ 30,707
Purchased Power and Purchased Water			\$ 22,757
Multiplied by			<u>1/24</u>
			\$ 948
Total Cash Working Capital			\$ 31,656

Chino Meadows II Water Co., Inc.  
Docket No. W-02370A-10-0519  
Test Year Ended December 31, 2009

Final Schedule RLJ-10

Rate Base Adjustment RLJ-6

Line

No.

1 Adjustment to Reflect Post-Test Year Plant

2

3

4 Description

5

6 Plant In Service

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13

14

Company

As Filed

Company

Adjustment

Company

Adjusted

Balance

\$ - \$ 3,500.00 \$ 3,500.00

4/5/2010 Caselle Clarity Upgrade Payment \$ 688  
8/17/2010 Caselle Clarity Final Upgrade Payment 688  
8/17/2010 Caselle Cash Receipts Module 2,125  
\$ 3,500

Operating Income - Test Year and Company Proposed  
Operating Income Method

Line No.		Company Test Year Ended <u>12/31/2009</u>	Company Adjustments	Company Test Year as Adjusted	Company Proposed Increase	Company With Rate Increase
1	<b>Revenues</b>					
2	Metered Water Revenues	\$ 344,260	\$ -	\$ 344,260	\$ 51,660	\$ 395,920
3	Other Water Revenues	7,373	-	7,373		7,373
4	<b>Total Revenues</b>	<u>\$ 351,633</u>	<u>\$ -</u>	<u>\$ 351,633</u>	<u>\$ 51,660</u>	<u>\$ 403,293</u>
5	<b>Operating Expenses</b>					
6	Salaries and Wages - Employees	\$ 126,312	\$ (24,735)	\$ 101,577		\$ 101,577
7	Salaries and Wages - Officers, Dir., Stockholder	35,498	-	35,498		35,498
8	Purchased Water	100	-	100		100
9	Purchased Power	22,657	-	22,657		22,657
10	Chemicals	884	-	884		884
11	Materials & Supplies & Repairs & Maintenance	16,148	-	16,148		16,148
12	Office Supplies Expense	17,050	-	17,050		17,050
13	Contract Services Engineering	-	-	-		-
14	Contract Services Accounting	600	-	600		600
15	Contract Services Legal	3,995	(2,995)	1,000		1,000
16	Contract Services Testing	7,062	(2,296)	4,766		4,766
17	Contract Services Other	9,263	2,296	11,559		11,559
18	Rents	6,000	-	6,000		6,000
19	Equipment Rental	246	-	246		246
20	Transportation Expense	15,726	-	15,726		15,726
21	Insurance - General Liability	11,848	-	11,848		11,848
22	Insurance - Worker's Compensation	2,555	-	2,555		2,555
23	Insurance - Other	165	-	165		165
24	System Support	4,339	(1,483)	2,856		2,856
25	Regulatory Expense	442	9,558	10,000		10,000
26	Bad Debt Expense	1,356	-	1,356		1,356
27	Miscellaneous Expense	4,089	(1,854)	2,235		2,235
28	Licensing & Permits	2,910	-	2,910		2,910
29	Tax - Other	6,446	-	6,446		6,446
30	Property Taxes	22,329	(10,142)	12,187	647	12,835
31	Payroll Taxes	10,804	-	10,804		10,804
32	Depreciation Expense	25,132	14,577	39,709		39,709
33	Interest on Deposits	-	680	680		680
34	<b>Operating Expenses Before Income Taxes</b>	<u>\$ 353,956</u>	<u>\$ (16,394)</u>	<u>\$ 337,562</u>	<u>\$ 647</u>	<u>\$ 338,209</u>
35	Income Taxes	(45)	2,989	2,944	11,728	14,672
36	<b>Total Operating Expenses</b>	<u>\$ 353,911</u>	<u>\$ (13,405)</u>	<u>\$ 340,506</u>	<u>\$ 12,376</u>	<u>\$ 352,882</u>
37						
38	<b>Operating Income (Loss)</b>	<u>\$ (2,278)</u>	<u>\$ 13,405</u>	<u>\$ 11,127</u>	<u>\$ 39,285</u>	<u>\$ 50,412</u>
39						
40					Operating Margin	12.50%
41						
42						

Summary of Income Statement Adjustments

Line No.		[A] Company As Filed	[B] ADJ RLJ-1	[C] ADJ RLJ-2	[D] ADJ RLJ-3	[E] ADJ RLJ-4	[F] ADJ RLJ-5	[G] ADJ RLJ-6	[H] ADJ RLJ-7
1	Revenues								
2	Metered Water Revenues	\$ 344,260							
3	Other Water Revenues	7,373							
4	<b>Total Revenues</b>	<b>\$ 351,633</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
5	<b>Operating Expenses</b>								
6	Salaries and Wages - Employees	\$ 126,312	\$ (24,735)						
7	Salaries and Wages - Officers, Dir., Stockholder	35,498							
8	Purchased Water	100							
9	Purchased Power	22,657							
10	Chemicals	884							
11	Materials & Supplies & Repairs & Maintenance	16,148							
12	Office Supplies Expense	17,050							
13	Contract Services Engineering	-							
14	Contract Services Accounting	600							
15	Contract Services Legal	3,995			(2,995)				
16	Contract Services Testing	7,062				(2,296)			
17	Contract Services Other	9,263							
18	Rents	6,000							
19	Equipment Rental	246							
20	Transportation Expense	15,726							
21	Insurance - General Liability	11,848							
22	Insurance - Worker's Compensation	2,555							
23	Insurance - Other	165							(1,483)
24	System Support	4,339							
25	Regulatory Expense	442							
26	Bad Debt Expense	1,356							
27	Miscellaneous Expense	4,089							
28	Licensing & Permits	2,910							
29	Tax - Other	6,446							
30	Property Taxes	22,329							
31	Payroll Taxes	10,804							
32	Depreciation Expense	25,132							
33	Interest on Deposits	-							
34	<b>Operating Income Before Income Taxes</b>	<b>\$ 353,956</b>	<b>\$ (24,735)</b>	<b>\$ -</b>	<b>\$ (2,995)</b>	<b>\$ (2,296)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (1,483)</b>
35	Income Taxes	(45)							
36	<b>Total Operating Expenses</b>	<b>\$ 353,911</b>	<b>\$ (24,735)</b>	<b>\$ -</b>	<b>\$ (2,995)</b>	<b>\$ (2,296)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (1,483)</b>
37									
38	<b>Operating Income (Loss)</b>	<b>\$ (2,278)</b>	<b>\$ 24,735</b>	<b>\$ -</b>	<b>\$ 2,995</b>	<b>\$ 2,296</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,483</b>

Summary of Income Statement Adjustments

Line No.		[I]	[J]	[K]	[L]	[M]	[N]	[O]	[P]	[Q]
		ADJ	ADJ	ADJ	ADJ	ADJ	ADJ	ADJ	ADJ	Company
		RJ-8	RJ-9	RJ-10	RJ-11	RJ-12	RJ-13	RJ-14	RJ-15	Adjusted
1	Revenues									
2	Metered Water Revenues									\$ 344,260
3	Other Water Revenues									7,373
4	Total Revenues									\$ 351,633
5	Operating Expenses									
6	Salaries and Wages - Employees									\$ 101,577
7	Salaries and Wages - Officers, Dir., Stockholder									35,498
8	Purchased Water									100
9	Purchased Power									22,657
10	Chemicals									884
11	Materials & Supplies & Repairs & Maintenance									16,148
12	Office Supplies Expense									17,050
13	Contract Services Engineering									-
14	Contract Services Accounting									600
15	Contract Services Legal									1,000
16	Contract Services Testing									4,766
17	Contract Services Other									11,559
18	Rents									6,000
19	Equipment Rental									246
20	Transportation Expense									15,726
21	Insurance - General Liability									11,848
22	Insurance - Worker's Compensation									2,555
23	Insurance - Other									165
24	System Support									2,856
25	Regulatory Expense									10,000
26	Bad Debt Expense									1,356
27	Miscellaneous Expense		(1,854)							2,235
28	Licensing & Permits									2,910
29	Tax - Other									6,446
30	Property Taxes			(10,142)						12,187
31	Payroll Taxes									10,804
32	Depreciation Expense									39,709
33	Interest on Deposits					14,577				680
34	Operating Income Before Income Taxes	\$ 9,558	\$ (1,854)	\$ (10,142)	\$ -	\$ 14,577	\$ -	\$ 2,296	\$ 680	\$ 337,562
35	Income Taxes						2,989			2,944
36	Total Operating Expenses	\$ 9,558	\$ (1,854)	\$ (10,142)	\$ -	\$ 14,577	\$ 2,989	\$ 2,296	\$ 680	\$ 340,506
37										
38	Operating Income (Loss)	\$ (9,558)	\$ 1,854	\$ 10,142	\$ -	\$ (14,577)	\$ (2,989)	\$ (2,296)	\$ (680)	



Income Statement Adjustment RLJ-1

Line				
<u>No.</u>				
1	<u>Salaries and Wages - Employees</u>			
2				
3		Company	Company	Company
4	<u>Description</u>	<u>As Filed</u>	<u>Adjustment</u>	<u>Adjusted</u>
5				<u>Balance</u>
6	Salaries and Wages - Employees	\$ 126,312	\$ (24,735)	\$ 101,577
7				
8				
9		<u>Salaries and Wages Adjustment</u>		
10	To remove salaries and wages chargeable to Granite Mountain		\$ (21,174)	Accept Staff Position
11	To normalize overtime charges		\$ (2,761)	Per Staff Direct
12	To remove 50% of bonuses		\$ (800)	1/2 G/L acct. No. 6601.00
13			\$	(24,735)
14				
15				

Chino Meadows II Water Co., Inc.  
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Test Year Ended December 31, 2009

Final Schedule RLJ-14

Income Statement Adjustment RLJ-2

Line

No.

1 Salary and Wages - Officers, Directors, Stockhldr

2

3

4 Description

5

6 Salary and Wages - Officers, Directors, Stockhldr

7

8

9

10

Company

As Filed

Company

Adjustment

Company

Adjusted

Balance

\$ 35,498.00 \$ - \$ 35,498.00

Chino Meadows II Water Co., Inc.  
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Test Year Ended December 31, 2009

Final Schedule RLJ-15

Income Statement Adjustment RLJ-3

Line

No.

1 Contract Services - Legal

2

3

4 Description

5

6 Contract Services - Legal

7

8

9

10

Company <u>As Filed</u>	Company <u>Adjustment</u>	Company Adjusted <u>Balance</u>
\$ 3,995	\$ (2,995)	\$ 1,000

Accept Staff Adjustment

Chino Meadows II Water Co., Inc.  
Docket No. W-02370A-10-0519  
Test Year Ended December 31, 2009

Final Schedule RLJ-16

Income Statement Adjustment RLJ-4

Line

No.

1 Contract Servcies - Testing

2

3

4 Description

5

6 Contract Servcies - Testing

7

8

9

10

Company <u>As Filed</u>	Company <u>Adjustment</u>	Company Adjusted <u>Balance</u>
\$ 7,062	\$ (2,296)	\$ 4,766

Accept Staff Adjustment

Chino Meadows II Water Co., Inc.  
Docket No. W-02370A-10-0519  
Test Year Ended December 31, 2009

Final Schedule RLJ-17

Income Statement Adjustment RLJ-5

Line

No.

1     Transportation Expense

2

3

4     Description

5

6     Transportation Expense

7

8

9

10

Company  
As Filed

Company  
Adjustment

Company  
Adjusted  
Balance

\$     15,726     \$     -     \$     15,726     Per Settlement

Income Statement Adjustment RLJ-6

Line

No.

1 Insurance, General Liability

2

3

4 Description

5

6 Insurance, General Liability

7

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Company As Filed	Company Adjustment	Company Adjusted Balance
\$ 11,848	\$ -	\$ 11,848 Per Settlement

Insurance, General Liability Expense			
	Amount Before Allocation	Allocation Percentage	Allocated Amount
Chino Meadows	11,848	0.7427	8,799
Granite Mountain	11,848	0.2573	3,049

Calculation of Three-Factor Allocation					
	Number of Customers	Plant In Service	O & M Expense	Total	Allocation Percentage
Chino Meadows	0.8994	0.5150	0.8137	2.2281	0.7427
Granite Mountain	0.1006	0.4850	0.1863	0.7719	0.2573
	1.0000	1.0000	1.0000	3.0000	1.0000

Allocation Factors			
	Chino Meadows	Granite Mountain	Total
Customers	876 0.8994	98 0.1006	974 1.0000
Plant In Service	\$ 765,198 0.5150	\$ 720,673 0.4850	\$ 1,485,871 1.0000
O&M Expense	\$ 340,506 0.8137	\$ 77,959 0.1863	\$ 418,465 1.0000

Chino Meadows II Water Co., Inc.  
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Test Year Ended December 31, 2009

Final Schedule RLJ-19

Income Statement Adjustment RLJ-7

Line

No.

1 System Support

2

3

4 Description

5

6 System Support

7

8

9

10

Company  
As Filed

Company  
Adjustment

Company  
Adjusted  
Balance

\$ 4,339 \$ (1,483) \$ 2,856 Accept Staff Adjustment

Income Statement Adjustment RLJ-8

Line				
<u>No.</u>				
1	<u>Rate Case Expense</u>			
2				
3				
4	<u>Description</u>	<u>Company</u>	<u>Company</u>	<u>Company</u>
5		<u>As Filed</u>	<u>Adjustment</u>	<u>Adjusted</u>
6	Rate Case Expense	\$ 442	\$ 9,558	\$ 10,000
7				
8	Rate Case Expense	\$	30,000	
9	Years		3	
10	Expense	\$	10,000	
11				
12				



Chino Meadows II Water Co., Inc.  
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Final Schedule RLJ-21

Income Statement Adjustment RLJ-9

Line

No.

1 Miscellaneous Expense

2

3

4 Description

5

6 Miscellaneous Expense

7

8

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11

12

	Company <u>As Filed</u>	Company <u>Adjustment</u>	Company <u>Adjusted Balance</u>
	\$ 4,089.00	\$ (1,854)	\$ 2,235
Out of Test Year Expense (Payment on old bank debt)			\$ 1,237
Meals at administrative meetings			<u>617</u>
			\$ 1,854

Income Statement Adjustment RLJ-10

Line

No.

1	<u>Property Tax Expense</u>		
2			
3			
4	<u>Description</u>	<u>Company</u> <u>As Adjusted</u>	<u>Company</u> <u>Proposed</u>
5			
6	Adjusted Revenues in year ended 12/31/09	\$ 351,633	\$ 351,633
7	Adjusted Revenues in year ended 12/31/09	351,633	351,633
8	Adjusted Revenues in year ended 12/31/09	351,633	
9	Proposed Revenues after Increase		403,293
10	Average of three year's of revenue	351,633	368,853
11	Average of three year's of revenue, times 2	703,266	737,706
12	Add:		
13	Construction Work In Progress at 10%	-	-
14	Deduct:		
15	Net Book Value of Transportation Equipment	54,837	54,837
16			
17	Full Cash Value	648,429	682,869
18	Assessment Ratio	21.0%	21.0%
19	Assessed Value	136,170	143,403
20	Property Tax Rate (Test Year)	8.9500%	8.9500%
21			
22	Adjusted Test Year Property Tax	\$ 12,187	
23	Company Proposed Property Tax	22,329	
24	Test Year Adjustment	\$ (10,142)	
25			
26	Property Tax a Proposed Rates		\$ 12,835
27	Adjusted Test Year Property Tax		12,187
28	Increase in Property Tax due to Rate Increase		\$ 647
29			
30	Increase to Property Tax Expense		\$ 647
31	Increase in Revenue Requirement		\$ 51,660
32	Increase to Property Tax per Dollar Increase in Revenue		1.2530%
33			
34			
35			

Chino Meadows II Water Co., Inc.  
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Test Year Ended December 31, 2009

Final Schedule RLJ-23

Income Statement Adjustment RLJ-11

Line

No.

1 Payroll Taxes

2

3

4 Description

5

6 Payroll Taxes

7

8

9

10

Company  
As Filed

Company  
Adjustment

Company  
Adjusted  
Balance

\$ 10,804 \$ - \$ 10,804 Per Settlement

Income Statement Adjustment RLJ-12

Line				
<u>No.</u>				
1	<u>Depreciation Expense</u>			
2				
3		Company	Company	Company
4	<u>Description</u>	<u>As Filed</u>	<u>Adjustment</u>	<u>Adjusted</u>
5				<u>Balance</u>
6	Depreciation Expense	\$ 25,132	\$ 14,577	\$ 39,709
7				
8	Composite Depreciation Rate		8.05%	From Staff Income Adjustment 12
9	CIAC	\$	23,984	Schedule RLJ-6
10	Amortization of CIAC	\$	1,930	
11				
12	Depreciation Expense Before Amortization of CIAC	\$	41,638	From Staff Income Adjustment 12
13	Less Amortization of CIAC	\$	1,930	
14	Test Year Depreciation Expense	\$	39,709	
15	Depreciation Expense as Filed		25,132	
16	Company's Adjustment	\$	14,577	
17				
18				

Income Statement Adjustment RLJ-13

Line

No.

1 Income Tax Expense

2

3  
4 Description

Company  
As Filed

Company  
Adjustment

Company  
Adjusted  
Balance

5

6 Income Tax Expense

\$ (45) \$ 2,989 \$ 2,944

7

8

9

Adjusted  
Test Year

Proposed  
with Increase

10 *Calculation of Income Tax:*

11 Revenue

\$ 351,633

\$ 403,293

12 Less: Operating Expenses - Excluding Income Taxes

337,562

338,209

13 Less: Synchronized Interest

-

-

14 Arizona Taxable Income

\$ 14,071

\$ 65,084

15 Arizona State Income Tax Rate

6.9680%

6.9680%

16 Arizona Income Tax

\$ 980

\$ 4,535

17 Federal Taxable Income

\$ 13,091

\$ 60,549

18 Federal Tax on First Income Bracket (\$1 - \$50,000) @ 15%

1,964

7,500

19 Federal Tax on Second Income Bracket (\$50,001 - 75,000) @ 25%

-

2,637

20 Federal Tax on Third Income Bracket (\$75,001 - 100,000) @ 34%

-

-

21 Total Federal Income Tax

1,964

10,137

22 Combined Federal and State Income Tax

\$ 2,944

\$ 14,672

23

24 Effective Federal Income Tax Rate

15.0000%

16.7422%

25

26 Applicable Federal Income Tax Rate (Rate Applicable to Revenue Increase)

17.2228%

27

28

Chino Meadows II Water Co., Inc.  
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Test Year Ended December 31, 2009

Final Schedule RLJ-26

Income Statement Adjustment RLJ-14

Line

No.

1 Leak Detection Expense

2

3

4 Description

5

6 Contract Servcies - Other

7

8

9

10

	Company		Company		Company
	<u>As Filed</u>		<u>Adjustment</u>		<u>Adjusted</u>
					<u>Balance</u>
	\$	-	\$	2,296	\$ 2,296

Chino Meadows II Water Co., Inc.  
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Test Year Ended December 31, 2009

Final Schedule RLJ-27

Income Statement Adjustment RLJ-15

Line

No.

1 Interest on Deposits

2

3

4 Description

5

6 Interest on Deposits

7

8

9

10

11

12

	Company As Filed	Company Adjustment	Company Adjusted Balance
	\$ -	\$ 680	\$ 680
Test Year Deposit Balance	\$ 11,330		
Interest Rate	6.00%		
Annual Interest Expense	\$ 680		

**RATE DESIGN**

**Monthly Customer Charge for:**

	Present Rates	Company Proposed	Staff Proposed
5/8x3/4 Inch	\$ 18.75	\$ 21.50	\$ 17.75
3/4 Inch	28.13	32.25	26.63
1 Inch	46.88	53.75	44.38
1 1/2 Inch	93.75	107.50	88.75
2 Inch	150.00	172.00	142.00
3 Inch	N/A	N/A	266.25
4 Inch	N/A	N/A	443.75
6 Inch	N/A	N/A	887.50

Company Proposed Base Charge is increased at same percentage as overall rate increase

Company's service area is entirely residential with no commercial development. The Company's system is not designed to support the flow rates required.

Gallons included in Monthly Minimum: 1,000 0 0

**Commodity Charge:**

Per 1,000 gallons above minimum	\$ 3.12	N/A	N/A
0 to 3,000 gallons	N/A	\$ 2.45	\$ 2.40
3,001 to 8,000 gallons	N/A	\$ 3.30	\$ 3.20
All gallons in excess of 8,000	N/A	\$ 4.10	\$ 4.20

Company has adopted Staff's tiers. Company has set lower tier at 75% of middle tier and upper tier at 125% of middle tier.

**Service Line and Meter Installation Charges:**

	Present Rates	Company Proposed			Staff Recommended		
		Services	Meters	Total	Services	Meters	Total
5/8" x 3/4" Meter	\$ 350.00	\$ 405.00	\$ 95.00	\$ 500.00	\$ 406.00	\$ 95.00	\$ 501.00
3/4" Meter	360.00	413.00	162.00	575.00	413.00	162.00	575.00
1" Meter	420.00	441.00	209.00	650.00	441.00	209.00	650.00
1 1/2" Meter	540.00	395.00	321.00	716.00	395.00	321.00	716.00
2" Meter	660.00	727.00	845.00	1,572.00	727.00	845.00	1,572.00
3" Meter	N/A	952.00	1,448.00	2,400.00	952.00	1,448.00	2,400.00
4" Meter	N/A	1,310.00	2,206.00	3,516.00	1,310.00	2,206.00	3,516.00
6" Meter	N/A	2,160.00	4,756.00	6,916.00	2,160.00	4,756.00	6,916.00

Only difference between Company and Staff is \$1.00 for Services on the 5/8" x 3/4" meter. Company's rate matches recently approved rate for GMWC.

**Service Charges:**

	Present Rates	Company Proposed	Staff Proposed
Establishment	\$ 15.00	\$ 25.00	\$ 25.00
Establishment (After Hours)	30.00	35.00	Eliminate
Reconnection (Delinquent)	22.00	35.00	30.00
Reconnection (Delinquent) (After Hours)	N/A	45.00	Eliminate
After Hours Charge	N/A	N/A	25.00
Meter Test (if correct)	15.00	35.00	20.00
Deposit	*	*	*
Deposit Interest	*	*	*
Reestablishment (within 12 months)	**	**	**
NSF Check	15.00	20.00	20.00
Deferred Payment, per month	1.50%	1.00%	1.50%
Meter Re-read (if correct)	12.00	15.00	15.00
Late Payment Fee (per month)	N/A	***	1.50%

The Company's proposed Service Charges are the same as were recently approved for GMWC.

The Company desires to have consistent charges to simplify customer service and avoid customer charge errors.

**Monthly Service Charge For Fire Sprinkler:**

4" or smaller	N/A	N/A	****
6"	N/A	N/A	****
8"	N/A	N/A	****
10"	N/A	N/A	****

Company's service area is entirely residential with no commercial development. The Company's system is not designed to support the flow rates required.

- \* Per Commission Rule A.A.C. R14-2-403(B)
- \*\* Number of months off system times monthly minimum, per A.A.C. R14-2-203(D)
- \*\*\* 1.5% of the unpaid balance per month
- \*\*\*\* 2.00% of Monthly Minimum for a comparable sized meter connection, but no less than \$10.00 per month. The Service Charge for Fire Sprinklers is only applicable for service lines separate and distinct from the primary water service line.